

2004 ANNUAL REPORT



**LEGISLATIVE
AUDIT
COMMISSION**

FORTY-SIXTH ANNUAL REPORT
of the
LEGISLATIVE AUDIT COMMISSION

Submitted to the Members of the
General Assembly of the State of Illinois



MEMBERSHIP

Senate Members

Senator Deanna Demuzio
Senator Chris Lauzen
Senator Iris Y. Martinez
Senator Dale A. Righter
Senator Dale E. Risinger
Senator George P. Shadid

House Members

Representative Rich Brauer
Representative Sidney Mathias
Representative Frank Mautino
Representative Sandra Pihos

Room 622
William G. Stratton Building
Springfield, Illinois 62706

To the Members of the General Assembly:

Given the responsibility of appraising the stewardship of State government, it is only fitting that the Audit Commission submits to the General Assembly each year a self assessment of its activities.

This report, submitted in accordance with the Act creating the Commission, presents a summary of the Commission's activities and accomplishments as the legislature's oversight agency during 2004. This document also presents a number of areas in which State government could improve its performance to achieve greater efficiency, improve effectiveness, and comply with statutory directives.

The ability to make government more effective and more efficient is attributable to the members of the Legislative Audit Commission who are dedicated to meeting the challenges of government in this new century. Worthy of special note is the Commission's review of 160 audits during 2004.

The Audit Commission exists by and for the legislative branch of government. The Commission encourages your suggestions on becoming of greater service to the General Assembly.

Respectfully,

Senator Chris Lauzen
Co-chair

Representative Frank J. Mautino
Co-chair

LEGISLATIVE AUDIT COMMISSION FORTY- SIXTH ANNUAL REPORT CONTENTS

| | Page |
|---|------|
| Overview..... | 2 |
| Commission's Home Page..... | 4 |
| Commission Membership..... | 5 |
| Audit Review Program..... | 6 |
| Compliance Audits..... | 7 |
| Audit Review Highlights..... | 9 |
| Performance Audits..... | 15 |
| Legislative Program..... | 21 |
| Other Duties and Responsibilities..... | 21 |
| Office of the Legislative Audit Commission..... | 26 |
| Appendix A..... | 27 |
| Appendix B..... | 31 |
| Appendix C..... | 32 |
| Appendix D..... | 34 |

46th Annual Report

Report Highlights

The Legislative Audit Commission is a support services agency having the principal responsibility for the oversight of the State audit program. Major accomplishments during the past year include:

- Review and action on 160 financial/compliance audits and five performance audits.
- Support and enactment of remedial legislation.
- Review of all emergency purchases made by State agencies.
- Maintenance of a web page as a source of up-to-date information about Audit Commission activities. This site includes reports and forms associated with the Commission.
- Publication of booklets on revised Purchasing Laws and University Guidelines.

Overview

The Legislative Audit Commission is mandated by law (25 ILCS 150/0.01-0.06) to review all audits conducted by the State Auditor General. Primary responsibilities of the Commission are:

- Conduct public hearings on all major audits of State agencies to review problems, assess agency stewardship, and secure remedial action.
- Initiate and review management and program audits and investigations.
- Make recommendations to the General Assembly and agency management for corrective legislation and other measures to remedy weaknesses disclosed through audits or at Commission hearings.
- Monitor agency progress in implementing corrective action.

The statutory direction is made clear in this excerpt from the Commission's enabling legislation:

The Commission shall ascertain facts, review reports and take action thereon, and make recommendations and reports to the General Assembly and to the houses thereof concerning the audit, revenue and expenditures of the State....The Commission shall receive the reports of the Auditor General and other financial statements and shall determine what remedial measures, if any, are needed, and whether special studies and investigations are necessary.

The Commission works closely with the Office of the Auditor General. Although separate agencies, the two have many common interests. The Commission makes use of the Auditor General's specialized staff to minimize unnecessary duplication of effort and expenditure of tax funds. Nevertheless, the Commission also recognizes the specific separation of responsibilities between the conduct and the review of audits.

This report is one means used to inform the General Assembly, State agencies, the accounting profession, and the public of the Commission's activities and concerns. In addition, the Commission's membership and staff maintain open and active communication with the legislature and its staff and service agencies through personal contact and other means.

Information about the Commission's work and findings is supplied to individual members of the General Assembly upon request. This service can include supplying available information, reviewing proposed legislation, or assisting in the analysis of fiscal matters.

A final and important means of communicating with the members of the General Assembly is the sponsorship of legislation. The Legislative Audit Commission has a structured process for identifying and acting upon matters requiring new or amendatory legislation.

Commission's Home Page

Information about the Legislative Audit Commission is also available on a home page on the Internet. The information includes Commission authority and membership, the agenda of the Commission's next scheduled meeting, reviews of audits for the next scheduled meeting, a list of audit reports passed on the Commission's Consent Calendar since January 2000, the most recent Annual Report, the Purchasing Laws Publication, the University Guidelines publication, and the Headquarters designation (TA-2) form. Reviews of all audit reports heard by the Commission in the current audit cycle are also available. The home page enhances public access to information concerning the Commission's activities.

To reach the Commission's home page, please use the following Internet address:

www.ilga.gov

Commission Membership

The Commission consists of 12 members who are appointed by the legislative leadership. Membership is equally apportioned between the two chambers and the two political parties. Finally, the co-chairs may not be members of the same political party, nor may they serve in the same chamber of the General Assembly.

The members receive no compensation for the substantial amount of time devoted to Legislative Audit Commission activities, but are reimbursed for travel expenses incurred.

The Commission maintains a full-time staff of three persons in the William G. Stratton Building in Springfield.

Appearing on the next page are lists of legislators now serving and those who have served on the Legislative Audit Commission.

Commission Membership and Date of Appointment at December 31, 2004

Senate Members

| | |
|----------------------------|---------------|
| Senator Jacqueline Collins | March 2003 |
| Senator Deanna Demuzio | July 2004 |
| Senator Chris Lauzen | January 1997 |
| Senator Dale A. Righter | February 2003 |
| Senator George P. Shadid | January 2001 |
| Senator Rick Winkel | August 1995 |

House Members

| | |
|----------------------------------|---------------|
| Representative Robert A. Biggins | March 1994 |
| Representative Rich Brauer | February 2003 |
| Representative Eileen Lyons | February 2003 |
| Representative Frank J. Mautino | March 1997 |

Former Members

| | | |
|----------------------|---------------------|----------------------|
| Raymond E. Anderson | Dwight P. Friedrich | Edward A. Nedza |
| Victor Arrigo | John A. Graham | Clarence E. Neff |
| W. Russell Arrington | Harber H. Hall | Dawn Clark Netsch |
| Louis E. Beckman | Kenneth Hall | Daniel J. O'Brien |
| Kenneth Boyle | Gary Hannig | Mary K. O'Brien |
| Michael I. Brady | Dennis Hastert | John T. O'Connell |
| Richard H. Brummer | Jay Hoffman | Frank M. Ozinga |
| George M. Burditt | Gene Johns | Margaret R. Parcells |
| Robert E. Cherry | Timothy V. Johnson | Glenn Poshard |
| Clyde L. Choate | Nancy Kaszak | Paul Powell |
| Terrel E. Clarke | James F. Keane | Walter J. Reum |
| Earlean Collins | Jack L. Kubik | Calvin W. Schuneman |
| Philip W. Collins | Bob Kustra | Penny Severns |
| John Connolly | Leo D. LaFleur | W. Timothy Simms |
| Michael D. Curran | John J. Lanigan | Cal Skinner, Jr. |
| Julie A. Curry | Richard R. Larson | Fred J. Smith |
| John M. Daley | Ted E. Leverenz | Arthur W. Sprague |
| Richard M. Daley | Ellis B. Levin | George F. Stastny |
| Corneal A. Davis | James P. Loukas | Celeste M. Stiehl |
| Aldo A. DeAngelis | Lynn Martin | Arthur Tenhouse |
| Terry W. Deering | Jeffrey D. Mays | Judy Baar Topinka |
| Miguel A. del Valle | David B. McAfee | Donne E. Trotter |
| Vince Demuzio | Edward McBroom | Louis S. Viverito |
| Brian B. Duff | Dean McCulley | Thomas J. Walsh |
| Thomas Dunn | Andrew J. McGann | Frank C. Watson |
| George W. Dunne | Robert F. McPartlin | Jerry Weller |
| Paul F. Elward | Robert W. Mitchler | Rick Winkel |
| | | Anne Zickus |

Audit Review Program

Audits are, by their nature, a look at the past. Transactions are reviewed, statistical and compliance tests are performed, and an evaluation is made of conditions during the period covered by the report. The Commission's audit review activities seek to change this focus by involving legislators, agency directors and managers, and members of the audit team in a structured process, which emphasizes implementation of corrective action to remedy existing weaknesses and to prevent lapses of control in the future. While the audit report cites deficiencies at the time of the examination, the Commission looks forward, seeking to view the audit report as a blueprint for improved agency service and accountability. In this way, the Commission maximizes the value of these reports as management tools.

Two important benefits result from frequent hearings on major audits:

1. Legislators are directly involved in the audit process, increasing communication within government and supplying feedback to the legislative and appropriations processes; and
2. Opportunities are increased for both administrative and legislative action to correct weaknesses and deficiencies disclosed in the audit reports.

Basic elements of the Commission's review include:

- Disclosure and public scrutiny of weaknesses and illegal or improper conduct in the use of public funds and the management of public business.
- Study, development, and introduction of legislation to correct weaknesses and improve the statutory framework of Illinois government.
- Initiation of management and program audits, investigations, and other studies, as required.
- Review of the delivery of State services, based both on audit findings and on members' contact with their constituents and the various agencies.

The participation of the Office of the Auditor General and accounting profession enhances discussion of accountability issues by both the agency and the Commission. In many instances, their comments help to clarify complex accounting issues. The Commission extends its appreciation to the accounting professionals who have participated during the past year. Hopefully they have found their association with the audit program rewarding, and have gained an appreciation of legislative oversight concerns as the result of their participation in Commission meetings. A listing of these individuals, by accounting firm name, appears on the following page.

Clifton Gunderson

Jeff Bonick
Paulette Hurd

DeRaimo, Hiller & Ripp

John DeRaimo
Bob Ripp

Doehring, Winders Co.

Robert Arnholt
Sarah Gracey

E. C. Ortiz

Stella Santos

Kerber, Eck & Braeckel

Dan Cadigan

Martin & Shadid

Jennifer Eller
Gary Shadid

McGladrey & Pullen

Joe Evans

McGreal, Johnson, McGrane

Joanne Malito

Nykiel, Carlin & Co.

Paul Pelletier

Pandolfi, Topolski & Weiss

Bert Neuhring
Jim Pandolfi

Sikich Gardner & Co.

Nick Applebaum
Gary Neubauer
Amy Sherwood

Sleeper, Disbrow, Tarro & Lively

Tom Leach

West & Co.

Janice Romack

Compliance Audits

Compliance audits, or compliance attestation engagements, stress the fundamentals of governmental accountability—compliance with statutes and regulations, sound business practices, safeguarding of assets and property, and proper expenditure of State funds. The Commission took action on 160 separate financial and compliance audit reports during 2004 ranging from reports disclosing no material findings to reports containing 36 recommendations. Obviously, this large number of reports represents the foundation of the Commission's workload. A listing of these audits is included in Appendix A on pages 27-30.

Prior to a Commission hearing, an audit review is prepared by Commission staff, summarizing all of the recommendations made by the auditors and pertinent financial data. The recommendations are classified as to implementation and acceptance status based on current information requested from the agency involved.

The Commission's public hearings stress implementation of corrective action, review of disputed findings, and an assessment of the fiscal and programmatic achievements of the agency. Corrective action is stressed to minimize the repetition of adverse findings in future reports. The Commission expects that each recommendation accepted by an

agency will be implemented within a reasonable time. Priority attention is devoted to correcting past problems so that they will not recur. The Commission considers no audit recommendation fully disposed of until:

- it has been accepted by the agency;
- equally acceptable procedures have been implemented; and
- the Commission members are convinced that the position taken by the agency in not accepting a given recommendation is proper in the circumstances involved.

If implementation is not feasible, the Legislative Audit Commission may urge elimination of the recommendation in future reports.

Although infrequent, the Commission may be dissatisfied with the lack of progress implementing audit recommendations and require a State agency to return to the Commission to report on the status of implementing audit report recommendations. As well, the Commission may notify the Governor if an executive agency or department refuses to comply with an audit recommendation. As well, the Audit Commission may request an opinion from the Attorney General for the interpretation of statute, and whether an agency is operating within statutory requirements. Three such opinions from the Attorney General were requested during 2004 as follows:

- CMS, Bureau of Communication and Computer Services, agreed to request an opinion to clarify its roles and responsibilities;
- The Emergency Management Agency (IEMA) has requested an opinion on whether a lump sum payment to an employee is exempt from the statutes.
- IEMA also agreed to seek an opinion on whether retirement annuity payments must be returned by this same individual whose position no longer requires the advice and consent of the Senate.

The Office of the Auditor General contracts with an independent auditor to perform a Statewide Single Audit of federal funds. This Statewide Single Audit fulfills the mandate for accepting federal funding. It includes all State agencies that are part of the primary government and expend federal awards. In total, 41 State agencies expended \$15.06 billion in federal financial assistance in FY03. The 12 State agencies not included in the Statewide Single Audit are the various universities, the bonding authorities, and the Conservation Foundation. Federal findings will continue to be noted in the State compliance audit reports of these agencies.

The Statewide Single Audit contained 64 findings with 32 repeat findings. Thirteen agencies including the Departments of Human Services, Public Aid, Children and Family Services, Transportation, Commerce and Economic Opportunity, Employment Security, Corrections, Natural Resources, and Public Health, the State Board of Education, the Student Assistance Commission, the Community College Board, and the Environmental Protection Agency did not timely and accurately submit their financial reporting forms to the Office of the Comptroller. As a result of the errors, deficiencies and omissions noted throughout the process used by the State in its financial reporting process, along with the inability to meet the required filing deadline of 3/31/04, the auditors identified the inadequacies as a reportable condition for all federal programs administered by the State.

Audit Review Highlights

During the last year, the Legislative Audit Commission reviewed 160 compliance and financial audit reports. Obviously, this statistic is of limited significance because there are wide variations in the reports regarding length, complexity of agency operations, and other factors. This figure, however, is not without meaning because it does reflect the wide range of the State's fiscal activities subjected to review by the General Assembly during this period.

The Commission continues to be concerned with the timeliness of compliance and financial audits. As a post-facto examination, there is, of necessity, a certain delay in the completion and review of audits. However, it is important that the process be concluded as quickly as possible to maximize the benefits of the audit program. In 2004, the Commission once again successfully accomplished one of its priorities which is to review audits in a timely fashion.

The Commission attempts to reach a satisfactory agreement regarding each of the audit recommendations. In some instances, the agency reports acceptance of the recommendation, but subsequent audits reveal the recommendation was not implemented or corrective procedures have fallen into disuse. The Commission places special importance upon the continuing obligation of State agencies to implement and maintain corrective procedures recommended by the Auditor General.

The use of computer technology is widespread in State government. With improved technology, however, comes the need for comprehensive planning in the design and development of computer systems, adequate training and documentation, system-wide security, and a tested plan for continued record keeping and service if the system should fail.

The Commission has observed a trend in State government toward more outsourcing of State services. The Commission has an elevated concern over how those contracts are bid and procured. Additionally, State agencies should better monitor contracts to ensure that all State funds are used to properly offer and provide services to all eligible individuals.

During 2003, the administration, through executive order and then by legislation, consolidated the internal audit function active in 26 departments and agencies into one Office of Internal Audit. The Office of Internal Audit is responsible for conducting a broad, comprehensive and independent program of internal auditing for the Governor and *all* those entities under his jurisdiction. This consolidation is of particular interest to the Commission, as the first external audits of the executive agencies under this new system will be released late in 2004 and throughout 2005.

The Commission is also aware that several agencies within State government have been consolidated into new agencies or existing departments. The Department of Nuclear Safety was placed within the Emergency Management Agency. The Rural Bond Bank, the Farm Development Authority, the Educational Facilities Authority, the Health Facilities Authority, and the Development Finance Authority have been consolidated into the new

Illinois Finance Authority. The Gaming Board, the Racing Board, the Liquor Control Commission and the Department of the Lottery are now under the auspices of the Department of Revenue. The Department of Insurance, the Department of Professional Regulation, Financial Institutions and Office of Banks and Real Estate have all merged to become the new Department of Financial and Professional Regulation. The Commission is monitoring the audits of these new and changed agencies to ensure that the old findings are resolved and statutory mandates are fulfilled.

Finally, the fiscal crisis that has engulfed the State since the beginning of FY02 continues. The executive branch has used several methods to answer, or at least stave off, the effects of the crisis: increase or establish new fees and assessments; reduce headcount or leave vacancies unfilled at almost every agency and department; regularly sweep funds with unused cash assets into the General Revenue Fund; and borrow against pension benefits. The Audit Commission is concerned that the level of State service to taxpayers remains both adequate and efficient; that new fees and assessments are fair and within the law; and that funds are repaid as necessary.

Appendix B, appearing on page 31 summarizes the audits considered at Legislative Audit Commission hearings during 2004, the number of audit recommendations, and the number of recommendations that were repeated from prior audits.

During the past year, the Commission gave special attention in its review activity to the topics which follow. The various departments and agencies listed almost always agreed to implement specific audit recommendations or other changes, so that these weaknesses would no longer exist. In most instances, the findings were for the period ending June 30, 2003.

Failure of Internal Controls

The **Department of Human Services' Treatment and Detention Facility** houses approximately 200 former inmates convicted of sexually violent crimes. These former inmates are still considered a danger to society. The Department had minimal requirements for those front line personnel working with the former inmates, no formal training policies and procedures for these personnel, and too few personnel working at the facility.

There were 67 audit findings at the **Department of Human Services'** twenty-two facilities serving the mentally ill and developmentally disabled for FY03 compared to 42 in FY01. Most of the deficiencies were due to failure of internal controls.

The **Illinois Community College Board** did not correctly calculate grants to community college districts resulting in grant over/under payments to all community colleges.

The **Toll Highway Authority** did not send out violation notices for all lanes and did not follow-up on a timely basis with violators who did not pay or respond to notices. The Tollway recorded an allowance for \$20 million in bad debt as of December 31, 2003.

The **Arts Council, Commerce Commission, Department of Central Management Services, Department of Children and Family Services, Department of Human Rights, Department of Human Services, Department of Insurance, Department of Military Affairs, Eastern Illinois University, EIU (Foundation), Educational Facilities Authority, Environmental Protection Agency (Water Revolving Fund), Farm Development Authority, Gaming Board, Governor's State University (Alumni Association), GSU (Foundation), Grain Insurance Corporation, Housing Development Authority, Human Rights Commission, Industrial Commission, Illinois Mathematics and Science Academy, Medical District Commission, Office of the Governor, Office of the Lieutenant Governor, Secretary of State, State Fire Marshal, Southern Illinois University (Research Park), SIU (Physicians & Surgeons), SIU-E (Foundation), State Fair, Supreme Court** and the **University of Illinois** had inadequate control over vouchers, receipts, expenditures, receivables, locally held funds, or fund balances, or made expenditures from an inappropriate appropriation line.

The **Arts Council Foundation, Secretary of State, Southern Illinois University (Physicians & Surgeons), and SIU (Research Park)** had balances in financial institutions in excess of FDIC limits.

The **Board of Higher Education, Chicago State University, Correctional Industries, Court of Claims, Deaf and Hard of Hearing Commission, Department of Central Management Services, Department of Human Rights, Department of Human Services, Department of Labor, Department of Military Affairs, Educational Labor Relations Board, Emergency Management Agency, Gaming Board, Governor's State University, Human Rights Commission, Illinois State University, Industrial Commission, Liquor Control Commission, Medical District Commission, Office of the Lieutenant Governor, Secretary of State, State Universities Retirement System, Student Assistance Commission, and the University of Illinois** had inadequate record keeping or inadequate control over property, equipment, assets, postage, or other commodities.

Chicago State University, Commerce Commission, Department of Agriculture, Department of Human Services, Department of Human Rights, Development Finance Authority, General Assembly (House of Representatives), General Assembly (Senate), Governor's State University, Health Facilities Authority, Illinois Conservation Foundation, Medical District Commission, Northeastern Illinois University, Office of the Lieutenant Governor and Southern Illinois University-Edwardsville (Foundation) had inadequate control over various internal reports or reports due to other entities.

The **Commerce Commission, Department of Agriculture, Department of Central Management Services, Department of Employment Security, Department of Human Rights, Department of Labor, Liquor Control Commission, Northern Illinois University, Office of the State Treasurer (Non Fiscal Responsibilities), Prairie State 2000, State Board of Elections, State Fair, State Universities Retirement System, Student Assistance Commission, Toll Highway Authority and the University of Illinois** had untimely or inappropriate reconciliations or deposits.

The **Council on Developmental Disabilities, Department of Children and Family Services, Department of Human Services, Secretary of State** and the **Toll Highway Authority** had inadequate control over telecommunication device usage.

The **Court of Claims, Department of Central Management Services, Department of Children and Family Services, Department of Employment Security, Department of Human Services, Department of Military Affairs, DuQuoin State Fair, Eastern Illinois University, Emergency Management Agency, Farm Development Authority, Gaming Board, Labor Relations Board, Medical District Commission, Office of the Lieutenant Governor, Space Needs Commission, State Fair** and the **Toll Highway Authority** had untimely employee evaluations, or inadequate observance of other personnel policies pertaining to accrued time, approval of timesheets, employee training, background investigation or supervision.

The **Criminal Justice Information Authority, Department of Human Services, Department of Labor, Department of Nuclear Safety, Department of Public Health, Department of Revenue, Development Finance Authority, Emergency Management Agency, Farm Development Authority, Health Facilities Authority, Human Rights Commission, Illinois State University, Medical District Commission, Office of the State Fire Marshal, Rural Bond Bank, Student Assistance Commission, Southern Illinois University (Research Park)** and the **Supreme Court** did not file GAAP reports or other financial statements accurately or timely.

The **Department of Agriculture, Department of the Lottery, Department of Public Health, Gaming Board, Grain Insurance Corporation, Illinois Conservation Foundation, Industrial Commission, Secretary of State** and the **State Employees' Retirement System** did not perform audits of all major systems or had other Fiscal Control and Internal Auditing Act deficiencies.

The **Department of Agriculture, Department of Children and Family Services, Department of Human Services, Department of the Lottery, State Universities Retirement System** and the **University of Illinois (Wolcott, Wood and Taylor)** did not adequately segregate duties among employees.

The **Department of Central Management Services, Department of Human Services, Department of Revenue, Gaming Board, Illinois Community College Board, Medical District Commission, Office of the Governor** and the **Secretary of State** had improper operation or maintenance of State vehicles, or inadequate attention to vehicle procedures or other travel policies.

Southern Illinois University and the **State Universities Retirement System** did not properly collect tuition or assess fees.

Failure to Monitor Computer Systems

The **Department of Agriculture** contracted for the development of the Non-Fair Event computer system and a State Fair computer system. However, the systems were not documented adequately and were developed in a software language not supported by the Department.

The **Department of Public Aid** had deficiencies concerning the accuracy of information in the Key Information Delivery Systems (KIDS), which tracks child support payments.

The **Department of Revenue** did not reconcile quarterly filers with annual filers to determine if there were any non-filers. Additionally, the Department did not implement system reconciliation and cross-match procedures to ensure tax revenue collection.

The **Gaming Board** did not obtain an annual third party audit of the computerized totalisator system used at the racetracks. This system accepts bets, cashes winning tickets and monitors tax revenues.

The **Student Assistance Commission** did not obtain an independent review of two externally controlled computer systems used to service portions of its \$2.34 billion student loan portfolio.

The **Board of Higher Education, Commerce Commission, Industrial Commission, Secretary of State** and the **Student Assistance Commission** had inadequate Information Technology (IT) planning or review.

The **Criminal Justice Information Authority, Department of Agriculture, Department of Revenue, Eastern Illinois University, Illinois Community College Board, Illinois State University** and **Southern Illinois University** had improper or inadequate disaster contingency planning.

The **Department of Children and Family Services, Eastern Illinois University, Governor's State University, Industrial Commission, Rural Bond Bank and Southern Illinois University** had inadequate computer security.

Failure to Adequately Monitor Subrecipients and Contractors

The **Department of Children and Family Services** did not annually verify that adoption assistance agreements for children who are subject to agreements with other states are still in force or have been renewed. Additionally, the Department did not perform effective monitoring of its residential and group home service providers.

The **State Fair** did not have controls in place to monitor vendors to ensure they were within the space allotted in their contracts and that the vendors had valid contracts. Both the State Fair and the **DuQuoin State Fair** could not confirm that contractors had proof of insurance as specified by the contract.

The **Toll Highway Authority** did not have an adequate system for monitoring lessees' compliance with their lease agreements.

The **Arts Council, Criminal Justice Information Authority, Department of Employment Security, Department of Human Services, Illinois Community College Board** and the **Rural Bond Bank** did not always adequately monitor recipients for grant compliance.

Chicago State University, Housing Development Authority, Northern Illinois University and the **University of Illinois** did not adequately monitor federal awards.

The **Department of Children and Family Services, Gaming Board, Labor Relations Board, Office of the Governor, Southern Illinois University (Alumni Association)** and the **State Fair** did not always execute contracts prior to the commencement of services.

Northern Illinois University, Rural Bond Bank and the **State Fire Marshal** did not adequately monitor all contracts or contractors.

Failure to Operate Within Statutory Authority

The **Department of Agriculture** did not fulfill its duty to administer the requirements of the Halal Food Act, or amend the Soil Conservation Domestic Allotment Act.

The **Department of Children and Family Services** did not ensure that all Initial Case Plans were prepared timely, retain proper documentation, and determine all reports of abuse and neglect timely.

The **Department of Public Health** did not comply with statutes regarding the inspection of farm operations, the inspection of migrant labor camps, or the licensure of youth camps. Additionally, despite receiving \$1.1 million in federal funds, the Department did not establish a long-term care grant program and did not provide grants to long-term care facilities to fund programs that demonstrate creativity in service provisions.

Governor's State University and **Illinois State University** did not adequately track and approve faculty who have outside research or consulting contracts.

The **Industrial Commission** did not perform cross checks with the Department of Insurance to ensure that employer contributions were made to various funds as required by the Workers' Compensation Act. The Commission also did not collect from out-of-state employers, the difference between the other state's workers' comp rate and Illinois' rate. The current campaign disclosure report used by the **State Board of Elections** did not specifically identify the gross receipts, expenses and net proceeds relating to raffles.

The **Student Assistance Commission** did not develop and implement the Child Development Teacher Scholarship Program.

The **Commerce Commission, Department of Human Services, Department of Labor, Department of Nuclear Safety, Department of Public Health, Department of Revenue, Farm Development Authority** and the **Office of the State Fire Marshal** did not promulgate or follow rules or submit reports as required by statute.

The **Department of Human Services, Kankakee River Valley Area Airport Authority** and the **State Fair** either did not establish certain boards or commissions, or those boards or commissions did not meet as directed by statute.

Failure to Protect the State's Interest

The **Department of Revenue's** Individual Income Tax Division used six different inventory systems to track case/taxpayer correspondence. Also accounts maintained on I-Track did not always progress through the collection process.

The **DuQuoin State Fair** and **Illinois State University** did not properly supervise or secure State facilities.

The **Office of the State Fire Marshal** had a backlog of 6,916 (14.6%) boilers and pressure vessels to inspect.

Eastern Illinois University, Northeastern Illinois University and the **University of Illinois** did not adequately monitor leases.

Collection of Receivables

Accounts receivable are a valuable asset to the State, and as such, must be effectively accounted for and pursued for collection. Each agency must maintain an accounting system that enables them to establish, record, follow-up, collect, and possibly write off individual receivables.

According to the Comptroller's December 31, 2004 Receivables Report, the gross receivables balance was almost \$11.7 billion. Of this amount, \$6 billion was deferred receivables and \$4.19 billion was estimated to be uncollectible. Thus, almost \$1.51 billion (12.9%) was estimated to be collectible.

Performance Audits

Performance audits, a category that includes program, management, and efficiency audits, provide a more detailed and thorough examination of a topic than is possible in a compliance audit. The Auditor General is authorized to conduct performance audits when directed by either chamber of the Illinois General Assembly or by the Legislative Audit Commission. A performance audit means a post audit which determines:

- Whether the audited agency is managing or utilizing its resources in an economical and efficient manner;
- Causes of inefficiencies or uneconomical practices;
- Whether the objectives and intended benefits are being achieved, and whether efficiently and effectively;
- Whether the program is being performed or administered as authorized or required by law; and
- Whether the program duplicates, overlaps, or conflicts with another State program.

One of the methods by which performance audits may be initiated is through the adoption of a resolution by the Legislative Audit Commission. The Commission adopted two such resolutions as follows:

- Legislative Audit Commission Resolution No. 127 directed the Auditor General to conduct a management audit of the Illinois Aquaculture Fund with the Department of Agriculture.
- Legislative Audit Commission Resolution No. 129 directed the Auditor General to conduct a management and program audit of the Department of Transportation's traffic safety programs.

Whenever the State implements the recommendations of management audits and other types of audits, budget savings can occur.

- In FY04, the State Board of Education granted no appropriation to the Teachers Academy for Mathematics and Science, which had received as much as \$5.5 million in annual appropriations. A management audit conducted in 2003 showed that the Academy had purchased equipment for a gym for employees and had made other non-program related expenditures including the purchase of a building.
- In FY04, under legislation that passed as a result of the management audit on the State's Space Utilization Program, Central Management Services began renegotiating a deal with Illinois Community College wherein the College had been allowed to use the former Zeller Mental Health Center, valued at up to \$10 million, for \$1 a year.
- In FY04, legislation was enacted to abolish the Aquaculture Development Fund. The legislature had appropriated about \$1 million to this fund annually, but a management audit of the Fund showed that the Fish Farming Cooperative which benefited from the Fund did not have an adequate business plan. The audit also identified some questionable expenditures and stated that the Department of Agriculture did not develop rules to adequately oversee the distribution of Aquaculture Development funds.

The following is a summary of the five performance audits reviewed by the Legislative Audit Commission during 2004.

Management Audit of the Expenditures from the Grade Crossing Protection Fund

Legislative Audit Commission Resolution No. 123 directed the Auditor General to conduct a management audit of expenditures from the Grade Crossing Protection Fund. Money in this Fund is administered by the Illinois Commerce Commission (ICC), but appropriated to the Department of Transportation (DOT) to assist local jurisdictions (counties, townships and municipalities) in paying for safety improvements at highway-rail grade crossings on local roads and streets. In carrying out its mandated responsibility, the ICC orders improvements at public highway-rail grade crossings and bridges that it determines to be in the interest of public safety. The audit concluded the following:

- DOT and the ICC do not have an interagency agreement that clarifies each agency's management responsibilities.
- The ICC does not assure that prescribed project work is done, is done on schedule, or that expenditures for the project are appropriate.
- The ICC's computer system does not capture certain data information that would allow for more effective analysis and management of Grade Crossing Protection Fund projects.
- DOT and the ICC do not have clear standards for what expenditure documentation is required for projects.
- The ICC does not get copies of signal failure reports to help them to assure that adequate warning devices are in place, and which projects or types of projects should be funded.

The audit report contained seven recommendations, four directed to the ICC and three directed to both the ICC and DOT. Both generally agreed with the recommendations.

Management Audit of the Regulation of Grain Dealers and Warehousemen and the Administration of the Grain Insurance Fund

Legislative Audit Commission Resolution No. 125 directed the Auditor General to conduct a management audit of the Department of Agriculture and the Illinois Grain Insurance Corporation, with regard to the regulation of grain dealers and warehousemen and the administration of the Grain Insurance Fund.

The Department of Agriculture has had the responsibility for licensing and regulating grain dealers and warehouses since 1967. In 1983, the Illinois Grain Insurance Act created a pool funded by the licensed participants, to be used to cover claims in the event of a grain dealer or warehouse failure. As of February 2003, there were 423 State licensed grain

dealers and warehouses with 1,148 locations. In August 2001, Ty-Walk Liquid Sales, Inc. failed, leaving approximately \$9 million in claims to be paid by the Grain Insurance Fund (GIF). As is required by law, \$4 million was transferred from GRF to the GIF in March 2002 to help pay the claims.

The General Assembly passed, and the Governor signed into law, changes to the Grain Code that should assist the Department in its regulation and oversight of grain dealers and warehouses. The audit recommended several additional changes, to which the Department generally agreed, that could further strengthen the Department in its regulation and oversight of grain dealers, warehouses, and the GIF.

- Checking the backgrounds of owners, managers and board members of licensees;
- Requiring a second review and approval at all license applications;
- Providing training to examiners in areas such as accounting and financial fraud detection;
- Having examiners file a conflict of interest or impairment disclosure form either annually or for each examination performed;
- Promulgating rules to implement the new examination requirements in the new law;
- Consider requiring training of licensees and implementing a licensure test or training certification program for grain managers/merchandisers;
- Creating a centralized database with access to all data regarding licensees;
- Ensuring that all sub-accounts are used for their designated purpose;
- Periodically evaluating the GIF's capacity to pay claims; and
- Ensuring the correct amount is assessed and collected from all eligible parties.

The auditors reviewed the claims process and found that the Department lacks specific procedures outside the Grain Code to ensure that timelines are met and to determine what is a valid claim.

As of June 2003, no funds had been repaid to GRF.

Management Audit of the Department of Central Management Services' Administration of the State's Space Utilization Program

Legislative Audit Commission Resolution No. 126 directed the Auditor General to conduct a management audit of CMS' administration of the State's space utilization program. The audit concluded that the State lacks an overall system to effectively manage real property. The audit made several determinations.

CMS does not maintain an accurate and complete inventory of real property owned by the State:

- In response to a survey conducted by the auditors, agencies reported that 201 properties that were owned by State agencies were either not included in the CMS master record or were assigned to an incorrect agency.
- The 102 county assessors identified 27,783 parcels of land owned by the State. A survey of 150 parcels found that 42 parcels, or 28%, were not included in the CMS master record.

- In August 2003, CMS discontinued the use of an automated system developed by CMS to report on real property owned by the State because the system contained inaccurate information.

CMS has no formal policies and procedures for ensuring that excess and surplus real property is reasonably considered when filling State agencies' space requests. In 69% of the lease files sampled (33 of 48), CMS did not check for availability of space in State-owned facilities until after CMS set up and the lessor signed a new lease.

The auditors identified a significant amount of excess space in both State-owned and State-leased property:

- 17 State agencies surveyed listed excess space in 270 leases, representing approximately 413,000 square feet.
- The auditors identified that 90 of 574 buildings at DHS facilities were unoccupied; 18% of the total square footage at DHS facilities was not being used.
- DHS leased excess space at its facilities to other entities; the 25 leases generated an average of \$0.15 per square foot in annual lease revenue; many of the leases charged minimal or no rent.

Since 1998, CMS has sold or conveyed only seven State properties declared surplus by the controlling State agency. As of August 2003, CMS had only six properties listed as surplus.

The audit contained nine recommendations, and CMS generally agreed with the recommendations.

Management Audit of the Illinois Aquaculture Development Fund

Legislative Audit Commission Resolution No. 127 directed the Auditor General to conduct a management audit of the Illinois Aquaculture Development Fund within the Department of Agriculture. From FY2000 through FY04, the Department of Agriculture distributed \$4.9 million to the Illinois Fish Farmers Cooperative located in Pinckneyville. Additional funding of \$2 million was provided as capital support for the Cooperative's fish processing plant. Operations at the fish processing plant began in October 2001 and continued until the plant was formally shut down in September 2003.

The audit concluded the following:

- The Cooperative did not have an adequate business plan, and the plan that was developed was not completed until January 2001, in the middle of the second year in which the Cooperative was receiving State funding for operations and capital. At that point, the Cooperative had already received over \$3.2 million in capital and operating grant funding from the State.
- The auditors identified some expenditures of the Cooperative that were questionable for an entity receiving substantial State support. Those included taking a loss for fish farmers, expenditures for a shrimp festival held after the plant was shut down, some

meal, travel and advertising expenditures, and payments for relocation and severance pay for some employees.

- The Department of Agriculture did not develop administrative rules related to distributing Aquaculture Development Act funds. Establishing adequate procedures and administrative rules could provide additional guidance and structure to the grant program as well as helping to ensure State resources are expended for the purpose intended and that adequate accountability exists.
- The Cooperative generally kept adequate minutes, books, and records, but the auditors did find examples where adequate records were not maintained. The auditors also found documentation that showed that the Cooperative Board refused to make certain information in its records public as required by the Aquaculture Development Act.

The audit contained four recommendations. The Department of Agriculture and the Fish Farmers Cooperative generally agreed with the recommendations. The audit also contained one Matter for Consideration by the General Assembly. The General Assembly passed and the Governor signed a bill on July 30, 2004, which abolished the Aquaculture Development Fund.

Financial, Compliance, and Program Audit of the Village of Robbins' Use of Municipal Economic Development Funds

The Public Utilities Act requires the Auditor General to conduct an annual financial, compliance, and program audit of distributions received by any municipality from the Municipal Economic Development Fund.

Robbins, the only entity to receive distributions from the Fund, received \$303,626 from the Fund and earned \$152 in interest income for calendar year 2003. Robbins disbursed \$297,525 from Fund Receipts. The review of documentation provided by Robbins concluded that most of the calendar year 2003 expenditures of Fund receipts appear to be consistent with Public Utilities Act guidelines.

Regional Offices of Education

The Commission received the annual audits of the 45 **Regional Offices of Education** and the three **Intermediate Service Centers**. The majority of recommendations related to problems with internal controls, specifically controls over fixed assets and the segregation of duties.

Special Inquiries

The State Auditing Act also provides for several different types of audits, including special reports and investigations. The Act defines an investigation as an inquiry into specified acts or allegations of impropriety, malfeasance, or nonfeasance in the obligation,

expenditure, receipt, or use of public funds. Investigations are initiated by resolution of the General Assembly or by the Legislative Audit Commission. The Auditor General may also at any time make informal inquiries of a State agency. Such inquiries are not in the nature of an audit, and are usually initiated at the request of a member of the General Assembly. No special audits were requested in 2004.

Legislative Program

One of the purposes of the audit review program is to identify and act on problems requiring a legislative solution. The Governor signed the following bills changing the statutes as recommended by audit reports or Audit Commission members.

HB 665 allows assessments to remain in effect until the Grain Insurance Fund equity reaches \$6 million. (PA 93-1097)

HB 1959 authorizes CMS to sell the former Zeller Mental Health Center to Illinois Central College at the 2002 appraised value. (PA 93-1034)

SB 608 develops geologic and groundwater flow models for each underground aquifer. (PA 93-608).

SB 2206 abolishes the Illinois Aquaculture Development Fund. (PA 93-839).

SB 2252 removes the limitation on duties of employees charged with administering the Design Profession Act. (PA 93-1009).

SB 3201 makes the position of Assistant Director for Emergency Management a position appointed by the Governor with the advice and consent of the Senate. (PA 93-1029).

Other Duties and Responsibilities

The General Assembly has assigned the Audit Commission a variety of duties and responsibilities in addition to its principal duty to review the post audit program in Illinois.

Review of Emergency Purchases

The Illinois Purchasing Act recognized that there would be emergency situations when it will be impossible to conduct bidding. It provided a general exemption for emergencies “involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... to prevent or minimize serious disruption of State services, or to preserve the integrity of State records. The chief procurement officer may promulgate rules extending the circumstances

by which a purchasing agency may make 'quick purchases,' including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements of the Illinois Purchasing Act. The affidavit is to set forth the circumstances requiring the emergency purchase. The Legislative Audit Commission is responsible for the review of all emergency purchases and is to advise the General Assembly of possible abuses.

The LAC receives quarterly reports of all emergency purchases. These are distributed to all members and considered at monthly Commission meetings. An annual analysis is also performed to detect trends and possible patterns of abuse. A comparative summary of emergency purchases reported during the period ended December 31, 2004 appears on pages 32-33 in Appendix C.

Each emergency transaction is reviewed to establish that:

- An "emergency," as defined in the Illinois Purchasing Act, actually existed;
- The action taken by the agency was appropriate under the circumstances; and
- Steps were taken whenever possible to obtain bids or competitive quotations in order to obtain the most favorable terms for the State.

There were 143 affidavits for emergency purchases filed in 2004 totaling approximately \$126.5 million. Presented below is a compilation of 2004 emergency purchases in dollar categories.

| | |
|--------------------|----|
| Under \$10,000 | 2 |
| 10,000 - \$100,000 | 90 |
| Over \$100,000 | 51 |

Included in the above summary were 16 emergency purchases exceeding \$500,000 as follows:

\$748,254.00 (estimated) to the Secretary of State for repairs to Room #007 and replacement of the courtyard of the Michael J. Howlett Building. On November 24, 2004 after a heavy collection of snow and ice, approximately 24 coping stones, each weighing approximately 400 pounds, fell off the east side of the west wall of the interior courtyard of the Michael J. Howlett Building. The stones fell approximately 66 feet to the roof deck below and further into the office spaces located in Room #007 of the ground floor of the Howlett Building creating an opening approximately 80 feet in length and 4 feet wide.

\$700,000.00 (estimated) to the State Treasurer, Fiscal Officer for a backlog of claims processing for the Unclaimed Property Division.

\$2,943,838.46 to the Department of Central Management Services to extend the contract for telecommunication service to State agencies until contract is competitively bid.

\$1,200,000.00 (estimated) to the Department of Central Management Services to reduce prescription spending by negotiating a maintenance program, which provided an incentive for members to utilize the Department's Prescription Benefit Manager's (PBM's) mail order pharmacy. A Memorandum of Understanding was signed by the Governor and legislative leaders requiring that any willing network retail pharmacy already contracting with the State's PBM may re-contract to also dispense maintenance medications at a contracted rate equal to the current mail order rate.

\$2,800,707.00 (estimated) to the Department of Central Management Services to avoid further disruption of service due to severe power disruptions that have resulted in processing downtimes for critical applications at the Harris Computing Facility. Agency officials stated the procurement is consistent with the objections of the IT Rationalization project.

\$8,887,500.00 (estimated) to the Department of Children and Family Services to extend the contract of Getronics, the company implementing the second phase of the SACWIS application.

\$6,285,000.00 (estimated) to the Department of Children and Family Services to extend the contract of Getronics, the company implementing the second phase of the SACWIS application.

\$44,602,434 to the Department of Children and Family Services to provide a change order to American Management Systems contract. Department officials stated they are requesting the amendment based on conditions created by the Termination for Convenience of current service offerings regarding SACWIS Phase 2B, effective March 8, 2004, and the need for immediate start of post implementation tasks required by the SACWIS application as covered by this change order.

\$2,191,054.00 (estimated) to the Department of Children and Family Services to provide a change order to Maximus, Inc. contract. Department officials stated they are requesting the amendment based on conditions created by far-reaching changes, including the Termination for Convenience of non-Maximus service offerings regarding SACWIS Phase 2B, effective March 8, 2004, and the need for immediate start of post implementation tasks required by the SACWIS application as covered by this change order.

\$640,501.33 to the Department of Commerce and Economic Opportunity extend a contract until 6/30/04 to operate, manage and provide staff and training for the Tourism Information Center program at 15 locations within Illinois. Additional time is needed to bid the contract.

\$1,300,000.00 (estimated) to the Historic Preservation Agency to provide engineering design and construction at Cahokia Mounds to correct the new slumping and erosion that has occurred at Monk's Mound caused by the large amount of rainfall received this spring. Agency officials stated if the slumping continues the integrity of the historic mound could be compromised.

\$1,200,000.00 to the Department of Insurance for retention of a specialist to provide an independent actuarial opinion regarding the adequacy of the company's loss and loss adjustment expense reserves as of December 31, 2003.

\$2,540,000.00 (estimated) to the Department of Natural Resources for the replacement of the water and sewer systems at Rock Cut State Park. The existing systems are on the brink of failure and the sewer system has been cited recently for violations.

\$7,446,822.65 to the Department of Revenue for an existing Lottery vendor to provide interim general market advertising development, placement and research. Department officials stated the Lottery's current advertising agency requested its contract be immediately terminated due to creative differences, and the Lottery agreed effective January 27, 2004. Cessation of advertising development and placement while an RFP is issued and a new general market advertising agency selected will result in decreased lottery ticket sales and lost revenue to the State.

\$635,376.00 to the Student Assistance Commission to extend a contract for three months to provide computer support services for ISAC's federal systems without disruption of service. An extension was needed to allow sufficient time to complete the competitive procurement process.

\$618,296.00 to the Student Assistance Commission to extend a contract for three months to provide computer support services for ISAC's federal systems without disruption of service. An extension was needed to allow sufficient time to complete the competitive procurement process.

Travel Control

The Legislative Audit Commission has the responsibility to monitor the quarterly reports of the various travel control boards established pursuant to statute. There are 10 separate boards governing the employees of the legislative branch, each constitutional officer, the State Board of Education, and higher education institutions. The chairs of the 10 travel control boards together comprise the Travel Regulation Council. The Travel Regulation Council establishes the State travel regulations and reimbursement rates, which shall be applicable to all personnel subject to the jurisdiction of the various travel control boards. These 10 travel control boards have the duty to establish the maximum rate permitted for the reimbursement of their respective employee travel expenses which may be more restrictive than those established by the Council.

In addition each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at a location other than that at which official duties require them to spend the largest part of their working time. Such reports are to be filed semi-annually with the Legislative Audit Commission and the Commission is to comment on all such reports.

A summary of travel headquarter reports for 2004 and the number of individuals who spend the largest part of their working time away from their designated headquarters, appears in Appendix D on pages 34-36.

Audit of the Office of the Auditor General

The Legislative Audit Commission is responsible for the biennial compliance audit of the Office of the Auditor General. The examination is performed by independent certified public accountants under a contract with the Commission. The auditors follow the same instructions and standards applicable to all audits performed pursuant to the Illinois State Auditing Act. In order to assure the independence of the examination, the Commission requires that the contract auditor be one who does not participate in the audit program administered by the Auditor General. In addition, after the completion of three audits, a different firm must be selected.

The most recent examination covered the two years ended June 30, 2003. There were no material findings of noncompliance disclosed during the auditors' tests.

Rules and Regulations of the Office of the Auditor General

The Legislative Audit Commission has oversight responsibility over the rulemakings of the Auditor General. The Commission is given an opportunity, through statutory authority, to comment on all proposed rules of the Office. One rulemaking became effective during 2004. The purpose of the rulemaking was to adopt amendments to the personnel rules to conform the rules to changes in law and employee benefits.

Office of the Legislative Audit Commission

Audit Commission members monitor all expenditures, receiving a detailed monthly summary of all vouchers submitted for payment. In addition, monthly financial reports are prepared and considered at each meeting. Presented below is a summary of expenditures made from appropriations for Fiscal Year 2004, as well as an interim report as of January 1, 2005.

I. Financial Statement - Year Ended June 30, 2004

| <u>Expenditure Object</u> | <u>Appropriation</u> | <u>Expended</u> | <u>Lapsed</u> |
|----------------------------|--------------------------|--------------------------|--------------------------|
| Personal services | \$ 156,500 | \$ 156,167 | \$ 4,353 * |
| Retirement, Employer | 6,260 | 6,251 | 179 * |
| Retirement, State | 21,030 | 14,455 | 6,575 |
| Social security | 12,010 | 11,768 | 352 * |
| Contractual services | 13,900 | 12,834 | 386 * |
| Travel | 5,500 | 2,714 | -0- * |
| Commodities | 500 | 134 | 13 * |
| Printing | 1,000 | 932 | 20 * |
| Equipment | 300 | 372 | 23 * |
| Electronic data processing | 2,100 | 1,782 | -0- * |
| Telecommunications | <u>1,700</u> | <u>1,383</u> | <u>107 *</u> |
| TOTAL | \$ <u>220,800</u> | \$ <u>208,792</u> | \$ <u>12,008*</u> |

* Reflects transfers.

II. Status of FY05 Appropriation at January 1, 2005

| <u>Expenditure Object</u> | <u>Appropriation</u> | <u>Expended</u> | <u>Balance</u> |
|----------------------------|--------------------------|--------------------------|--------------------------|
| Personal services | \$ 166,500 | \$ 82,225 | \$ 84,275 |
| Retirement, Employer | 6,700 | 3,292 | 3,408 |
| Retirement, State | 34,000 | 13,821 | 20,179 |
| Social security | 12,700 | 6,193 | 6,507 |
| Contractual services | 5,900 | 1,652 | 4,248 |
| Travel | 5,500 | 2,394 | 3,106 |
| Commodities | 500 | 62 | 438 |
| Printing | 1,500 | -0- | 1,500 |
| Equipment | 500 | -0- | 500 |
| Electronic data processing | 3,000 | 1,782 | 1,218 |
| Telecommunications | <u>1,600</u> | <u>452</u> | <u>1,148</u> |
| TOTAL | \$ <u>238,400</u> | \$ <u>111,873</u> | \$ <u>126,527</u> |

The Office of the Auditor General performed a compliance audit of the Legislative Audit Commission for the two years ended June 30, 2003. There were no material findings of noncompliance disclosed by the audit.

APPENDIX A

Financial/Compliance Audits Reviewed During 2004

(For FY2003 unless otherwise indicated)

CONSTITUTIONAL OFFICERS

Office of the Auditor General

Office of the Comptroller:

 Fiscal Officer Responsibilities

Office of the Governor

Office of the Lieutenant Governor

Office of the Secretary of State

Office of the Treasurer:

 Fiscal Officer Responsibilities

 Nonfiscal Officer Responsibilities

 Bright Start College Savings Program

 Illinois Funds

JUDICIAL AGENCIES

Attorney Registration and Disciplinary Commission

Illinois Board of Admissions to the Bar

Illinois Supreme Court

Judges' Retirement System

CODE DEPARTMENTS

Department of Agriculture

 Central Office

 DuQuoin State Fair

 Illinois State Fair

 Illinois Grain Insurance Corporation

Department of Central Management Services

 Bureau of Communication & Computer Services

 Illinois Deferred Compensation Plan

Department of Children and Family Services

Department of Corrections - Correctional Industries

Department of Employment Security

Department of Insurance

Department of Human Rights

Department of Human Services - Central Office

 Alton Mental Health Center

 Chester Mental Health Center

 Clyde L. Choate Mental Health and Development Center

 Elgin Mental Health Center

 William W. Fox Developmental Center

 William A. Howe Developmental Center

 Illinois Center for Rehabilitation and Education

Code Departments – cont'd

Illinois School for the Deaf
Illinois School for the Visually Impaired
Jacksonville Developmental Center
Ann M. Kiley Developmental Center
Lincoln Developmental Center
Elisabeth Ludeman Developmental Center
Jack Mabley Developmental Center
John J. Madden Mental Health Center
Andrew McFarland Mental Health Center
Warren G. Murray Developmental Center
Chicago Read Mental Health Center
Shapiro Developmental Center
H. Douglas Singer Mental Health Center
Tinley Park Mental Health Center
George A. Zeller Mental Health Center
Department of Labor
Department of the Lottery
Department of Military Affairs
Department of Public Health
Department of Public Aid
Department of Revenue
 Central Office
 Racing Board

LEGISLATIVE AGENCIES

Commission on Intergovernmental Cooperation
General Assembly, House of Representatives
General Assembly Retirement System
General Assembly, Senate
Legislative Audit Commission
Legislative Printing Unit
Legislative Reference Bureau
Legislative Space Needs
Illinois Economic and Fiscal Commission
Pension Laws Commission

OTHER AGENCIES

Arts Council
Arts Council Foundation
Capital Development Board - financial
Court of Claims
Criminal Justice Information Authority
Deaf and Hard of Hearing Commission
DryCleaner Environmental Protection Agency
Educational Labor Relations Board

Other Agencies - continued

Environmental Protection Agency – Water Revolving Fund - financial
Governor's Commission of the Status of Women in Illinois
Guardianship and Advocacy Commission
Human Rights Commission
Illinois Building Commission
Illinois Civil Services Commission
Illinois Council on Developmental Disabilities
Illinois Commerce Commission
Illinois Conservation Foundation
Illinois Development Finance Authority - final audit
Illinois Educational Facilities Authority - final audit
Illinois Emergency Management Agency
 Department of Nuclear Safety
Illinois Farm Development Authority - final audit
Illinois Gaming Board, compliance
Illinois Health Facilities Authority
Illinois High School Association - Limited Scope Compliance
Illinois Housing Development Authority
Illinois Labor Relations Board
Illinois Literacy Foundation
Illinois Liquor Commission - final audit
Illinois Math & Science Academy
IMSA Fund for Advancement of Education
Illinois Petroleum Resources Board
Illinois Rural Bond Bank - final audit
Illinois State Fire Marshal
Illinois State Board of Investment
Illinois Summer School for the Arts - Special Limited Compliance
Industrial Commission
Kankakee River Valley Area Airport Authority
Medical District Commission
Metropolitan Pier and Exposition Authority - Special Limited Compliance
 Audit Testing of State Appropriations
Peoria Civic Center Authority
Prairie State 2000 Authority
State Appropriations to the Public School Teachers' Pension and Retirement
 Fund of Chicago - Special Limited Compliance
State Board of Elections
State Employees' Retirement System
Teachers' Retirement System
Toll Highway Authority
Village of Robbins' Use of Municipal Economic Development Funds

HIGHER EDUCATION

Board of Higher Education
Chicago State University
Chicago State University Foundation
Community College Board
Eastern Illinois University
Eastern Illinois University, Alumni Association
Eastern Illinois University Foundation
Governors State University
Governors State University, Alumni Association
Illinois State University
Illinois State University Foundation - financial
Illinois Student Assistance Commission
Illinois Student Assistance Commission Designated Account Purchase Program
Illinois Student Assistance Commission Prepaid Tuition Program
Northeastern Illinois University
Northeastern Illinois Foundation
Northern Illinois University
Northern Illinois University, Alumni Association
Northern Illinois University Foundation
State Universities Civil Service System
State Universities Retirement System
Southern Illinois University
Southern Illinois University Association of Alumni, Former Students and Friends
Southern Illinois University Foundation – Carbondale
Southern Illinois University Evergreen Terrace – Family Housing Phase III
Southern Illinois University, Carbondale, University Park
Southern Illinois University Edwardsville, Alumni Association
Southern Illinois University Edwardsville Foundation
Southern Illinois University Edwardsville, University Park
Southern Illinois University, Physicians and Surgeons, Inc.
University of Illinois
University of Illinois, Alumni Association
University of Illinois Foundation
U of I, Illinois Ventures, LLC.
U of I, Prairieland Energy, Inc.
U of I, Research Park, LLC
U of I, Wolcott, Wood, and Taylor, Inc.
Western Illinois University
Western Illinois University Foundation

REGIONAL OFFICES OF EDUCATION

DuPage County #19

APPENDIX B

Agencies Appearing Before Commission

(For FY2003 unless otherwise indicated)

| | <u>Audit Recommendations</u> | |
|--|------------------------------|-----------------|
| | <u>Total</u> | <u>Repeated</u> |
| CONSTITUTIONAL OFFICERS | | |
| Secretary of State | 9 | 5 |
| CODE DEPARTMENTS | | |
| Department of Agriculture, | | |
| Central Office | 12 | 1 |
| Illinois State Fair | 10 | 2 |
| Aquaculture Management Audit | 4 | 0 |
| Grain Insurance Fund Management Audit | 10 | 0 |
| Department of Central Management Services | | |
| Central Office | 6 | 0 |
| Space Utilization Management Audit | 9 | 0 |
| Department of Children and Family Services | 11 | 8 |
| Department of Human Rights | 6 | 3 |
| Department of Human Services | 36 | 6 |
| Department of Labor | 6 | 1 |
| Department of Military Affairs | 5 | 1 |
| Department of Nuclear Safety | 5 | 0 |
| Department of Public Health | 8 | 2 |
| Department of Revenue | 10 | 2 |
| Department of Transportation | | |
| Grade Crossing Management Audit | 7 | 0 |
| OTHER AGENCIES | | |
| Human Rights Commission | 5 | 1 |
| Commerce Commission | | |
| Central Office | 7 | 1 |
| Grade Crossing Management Audit | 7 | 0 |
| Illinois Racing Board | 8 | 5 |
| Industrial Commission | 10 | 5 |
| Office of the State Fire Marshal | 8 | 2 |
| Medical District Commission | 6 | 1 |
| State Toll Highway Authority | 11 | 7 |
| HIGHER EDUCATION | | |
| Community College Board | 5 | 2 |
| Eastern Illinois University | 6 | 2 |
| Illinois State University | 5 | 2 |
| Student Assistance Commission | 9 | 1 |
| University of Illinois | 7 | 1 |

APPENDIX C

Emergency Purchase Transactions Calendar Year 2004

| | Number | Anticipated Cost |
|--|----------|------------------|
| CONSTITUTIONAL OFFICERS | | |
| Attorney General | 1 | \$ 16,200 |
| Auditor General | 8 | 411,188 |
| Secretary of State | 7 | 1,328,761 |
| Supreme Court | 1 | 10,745 |
| Treasurer | 2 | 727,995 |
| CODE DEPARTMENTS | | |
| Aging | 1 | 161,900 |
| Agriculture | 4 | 226,757 |
| Central Management Services | 9 | 7,212,210 |
| Children & Family Services | 7 | 62,241,050 |
| Commerce & Economic Opportunity | 3 | 6,196,101 |
| Corrections - | | |
| General Office | 1 | 26,040 |
| Correctional Industries | 1 | 83,790 |
| Danville Correctional Center | 1 | 29,413 |
| Shawnee Correctional Center | 1 | 75,900 |
| Stateville Correctional Center | 1 | 30,000 |
| Vandalia Correctional Center | 1 | 87,120 |
| Vienna Correctional Center | <u>1</u> | <u>97,500</u> |
| Total Corrections | <u>8</u> | <u>437,963</u> |
| Employment Security | 4 | 746,992 |
| Human Services | 6 | 1,116,855 |
| Insurance | 2 | 1,287,000 |
| Military Affairs | 3 | 352,490 |
| Natural Resources | 7 | 2,975,786 |
| Public Aid | 1 | 220,000 |
| Public Health | 1 | 104,730 |
| Revenue | 4 | 7,696,237 |
| State Police | 4 | 147,011 |
| Transportation | 7 | 1,581,040 |
| Veterans' Affairs | 4 | 213,055 |
| OTHER AGENCIES | | |
| Criminal Justice Information Authority | 2 | 165,000 |
| Historic Preservation Agency | 2 | 1,383,600 |

| | Number | Anticipated Cost |
|-------------------------------|-------------------|------------------------------|
| Housing Development Authority | 3 | 164,760 |
| Mathematics & Science Academy | 1 | 30,000 |
| State Police Merit Board | 1 | 90,000 |
| Toll Highway Authority | 4 | 566,540 |
| UNIVERSITIES | | |
| Chicago State University | 3 | 129,500 |
| Eastern Illinois University | 3 | 653,204 |
| Illinois State University | 1 | 53,290 |
| Northern Illinois University | 8 | 925,635 |
| Southern Illinois University | 5 | 264,040 |
| University of Illinois | 14 | 1,420,155 |
| Student Assistance Commission | <u>2</u> | <u>1,253,672</u> |
| GRAND TOTAL | <u>143</u> | <u>\$ 126,511,462</u> |

APPENDIX D

Travel Headquarter Reports

| CONSTITUTIONAL OFFICERS | <u>Reported</u> |
|---|------------------------|
| Attorney General | 0 |
| Auditor General | 0 |
| Comptroller | 10 |
| Office of the Governor – Inspector General | 0 |
| Secretary of State | 276 |
| State Treasurer | 8 |
| JUDICIAL AGENCIES | |
| Administrative Office of the Illinois Courts | 3 |
| Judicial Inquiry Board | 0 |
| Judges' Retirement System | 0 |
| State Appellate Defender | 0 |
| State's Attorneys Appellate Prosecutor | 3 |
| 3rd District Appellate | 0 |
| LEGISLATIVE AGENCIES | |
| General Assembly | |
| Senate | 0 |
| House – Democratic | 12 |
| House – Republican | 0 |
| Legislative Audit Commission | 0 |
| Legislative Ethics Commission | 0 |
| Legislative Information System | 0 |
| Legislative Inspector General | 1 |
| Legislative Printing Unit | 0 |
| Legislative Reference Bureau | 0 |
| Legislative Research Unit | 0 |
| Office of the Architect of the Capitol | 1 |
| CODE DEPARTMENTS | |
| Department on Aging | 0 |
| Department of Agriculture | 206 |
| Department of Central Management Services | 19 |
| Department of Children & Family Services | 24 |
| Department of Commerce & Economic Opportunity | 51 |
| Department of Corrections | 472 |
| Department of Employment Security | 66 |
| Department of Financial and Professional Regulation | 511 |
| Department of Human Rights | 0 |
| Department of Human Services | 631 |

Code Departments – cont'd

| | |
|---------------------------------|-----|
| Department of Military Affairs | 3 |
| Department of Natural Resources | 64 |
| Department of Public Aid | 50 |
| Department of Revenue | 473 |
| Department of State Police | 12 |
| Department of Transportation | 927 |
| Department of Veterans' Affairs | 1 |

OTHER AGENCIES

| | |
|---|----|
| Arts Council | 0 |
| Capital Development Board | 11 |
| City of East St. Louis Financial Advisory Authority | 0 |
| Civil Service Commission | 6 |
| Commerce Commission | 32 |
| Court of Claims | 0 |
| Educational Labor Relations Board | 5 |
| Emergency Management Agency | 9 |
| Environmental Protection Agency | 48 |
| General Assembly Retirement System | 0 |
| Governor's Office of Management and Budget | 1 |
| Guardianship & Advocacy Commission | 0 |
| Historic Preservation Agency | 0 |
| Housing Development Authority | 10 |
| Human Rights Commission | 0 |
| Illinois Finance Authority | 32 |
| Law Enforcement Training & Standards Board | 5 |
| Math & Science Academy | 0 |
| Planning Council on Developmental Disabilities | 0 |
| Property Tax Appeal Board | 0 |
| State Board of Education | 48 |
| State Board of Investments | 0 |
| State Employees' Retirement System | 5 |
| State Fire Marshal | 68 |
| State Police Merit Board | 5 |
| State Toll Highway Authority | 0 |
| Teachers' Retirement System | 0 |
| Violence Prevention Authority | 0 |

HIGHER EDUCATION

| | |
|----------------------------------|----|
| Board of Higher Education | 0 |
| Chicago State University | 0 |
| Eastern Illinois University | 41 |
| Illinois Community College Board | 0 |

Higher Education – cont'd

| | |
|---|-----|
| Illinois State University | 101 |
| Illinois Student Assistance Commission | 0 |
| Northern Illinois University | 95 |
| Northeastern Illinois University | 0 |
| Southern Illinois University | 0 |
| State Universities Civil Service Commission | 0 |
| State Universities Retirement System | 0 |
| Western Illinois University | 22 |